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SUBJECT: THE DEPUTY SECRETARY,S MAY 20 MEETING WITH
PALESTINIAN PRESIDENT MAHMOUD ABBAS

11. (U) Classified by Economic and Political Counselor John
Desrocher, reasons 1.4 (b) and (d)

12. (U) May 20, 2006; 11:45AM; Sharm El Sheikh, Egypt

13. (U) Participants:

U.S.

The Deputy Secretary
Ambassador Ricciardone
NEA DAS Scott Carpenter
D Executive Assistant Mike Matera
D Senior Advisor Rich Mills
D Special Assistant Aaron Jost
Embassy Cairo Kevin Roland (notetaker)

Palestinian Authority

President Mahmoud Abbas
Chief Palestinian Negotiator Saab Erekat
Fatah MP Nabil Shaath
Palestinian Ambassador to Egypt Munzir el-Dajani

14. (C) On the margins of the World Economic Forum meetings in
Sharm El Sheikh, Egypt, Palestinian President Mahmoud Abbas
told the Deputy Secretary that he will continue to pursue
negotiations with Israel and is prepared to put any
agreements before the Palestinian people via referendum. A
critical shortage of weapons and ammunition has left the
security services allied to the Presidency unable to confront
Hamas. Abbas says the Israeli refusal to allow Jordanian and
Egyptian arms shipments makes him increasingly vulnerable to
Hamas, who, with outside support, will pursue military
confrontation with Fatah/PLO. Abbas believes financial
pressures will not lead Hamas to compromise, and current
economic woes will instead be blamed on the Presidency. End
Summary.

Palestinian-Israeli Dialogue

15. (C) Stressing that the Hamas-led government has no role in
the negotiations, Abbas said he would press on with
negotiations with the Israelis and put any proposed
agreements directly to the Palestinian people via referendum.

He said he has explained the referendum mechanism to the
Israelis and plans to mention it in his speech to the WEF.
He plans to meet with Israeli PM Olmert upon Olmert's return
to Israel from Washington, and will try to convince him that
a unilateral withdrawal is "not doable." Abbas is also
scheduled to meet with Israeli FM Livni, with whom he has
never previously met, on May 21. He agreed with the Deputy
Secretary's caution that the timing of any referendum would
have to be handled very carefully.

Confronting Hamas

16. (C) On the internal security front, President Abbas said
Hamas is determined "get rid" of him and will thus continue
armed clashes with the security services loyal to the
Presidency. Israeli blocking of the re-armament of his

services, however, has left him unable to confront Hamas due to a shortage in firearms and ammunition. For instance, the Presidential Guard in Rafah has only 120 rifles among them, he said, leaving only 18 rifles for those stationed in Ramallah. Shaath said the Hamas threat was "imminent," and described those allied to Fatah and the Presidency as feeling "naked" without the weapons with which to defend themselves. Abbas said the Egyptians and Jordanians are being "very helpful" and are poised to deliver the much-needed munitions, but Israeli refusals keep the shipments beyond the PA's borders. Abbas said he would not resort to smuggling or other "mafia" tactics to obtain the much-needed weaponry, wishing instead to rearm "legally." The Deputy Secretary noted that he would be meeting Israeli Foreign Minister Livni and would see if recent developments in Gaza have changed the GOI's perspectives on arms for the PA security services under the Presidency's control.

17. (C) On confronting Hamas politically, Abbas said that he faced two choices following Hamas' victory in the Palestinian Legislative Council elections: 1) obstruct Hamas' ability to govern as much as possible, or 2) let them go ahead and fail on their own. Having chosen the second option, he believes the Palestinian people, who remain largely moderate, realize that they were mistaken in electing a Hamas-led government, and recent polling data indicate declining support. Despite sinking poll numbers and calls for change from the Palestinian private sector and elsewhere, Abbas believes Hamas is ideologically incapable and unwilling to change its stance on Israel and support for terror. He opined that Hamas believed that they would enjoy broad, global support, but are now discovering that only Iran and Syria are behind them. Entering into a coalition with Fatah could possibly ease the pressure, as some Hamas officials in Gaza have realized, but the "Hamas leadership in Damascus" could never abide compromise.

Any moves toward compromise by the Gaza leadership would be rejected by a radicalized rank and file and by the military wing abroad, he said. Regarding options at his disposal for forcing a change of government, President Abbas noted that he does not "have the constitutional right to dissolve the PLC," but does "have the right to topple the government." He did not elaborate further upon the mechanism by which he could do this.

Economic/Humanitarian Situation

18. (C) Abbas described the current economic situation as "very dire," with no salary payments having been made to government employees in nearly three months. Approximately 1.5 million Palestinians rely on the salaries paid to the 160,000 government employees. The PA is working with donors on mechanisms to get aid funds flowing, but the EU will not pay salaries due to the prohibitions on dealing with Hamas. Erekat and Shaath said the worsening situation will be blamed on the Presidency and the U.S., not Hamas, due in part to Hamas subsidizing those employees that support it. The Presidency does not have the funds necessary funds available to run its core operations. The Deputy Secretary acknowledged Abbas' concern that increased economic frustration could create difficulties, but noted that support funds could not be used to maintain a Hamas government which has refused to accept the conditions laid out by the international community and Abbas - renounce violence, recognize Israel, and respect previous agreements and obligations between the parties, including the Roadmap.

Rebuilding Fatah

19. (C) Despite a critical need for resources, Abbas said that the Fatah has embarked on the rebuilding process and should be "organized" within three months. Shaath said that they are looking to enact a "democratic reformation" at the

grass-roots level, emphasize volunteerism in the party, and learn from the failed party policies which led to their defeat in the PLC. He added that the defeat has helped to "ignite change" within the organization. This change takes time, Shaath said, and resources are needed to stave off the "imminent" threat of Hamas.

Iran's Role

¶10. (C) Erekat emphasized PLO fears of Iranian designs in Palestine, offering his belief that the Euro 600,000 recently seized on the Egypt/Gaza border during a smuggling attempt by a Hamas official were Iranian funds. President Abbas described Hamas' outside leadership as a "hostage" to Iran, a link which, when combined with strong connections to the broader Muslim Brotherhood movement, rules out any possibility of compromise. Thus, Shaath explained, financial pressure aimed at Hamas cannot force a quick political change, but instead only worsens the economic situation for ordinary Palestinians - an outcome that he believes will be blamed on the Presidency. Increased Iranian influence in Palestine would have serious consequences for the security of Jordan and Egypt, Erekat added, and Israel's refusal to allow the Presidency to rearm and confront Hamas is not helpful in this regard.

Gaza Explosion

¶11. (C) Regarding the explosion that injured PA Intelligence Chief Tarek Abu Rajab, President Abbas said he had no specific information yet but added that there were signs of Hamas involvement. Erekat said Abu Rajab had been flown to an Israeli hospital where he was currently receiving treatment.

¶12. (U) The Deputy Secretary's party has cleared this cable.

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